



Credit Union Opportunities



IS IT A MARRIAGE MADE IN MANHATTAN OR THE ODD COUPLE?



A PARTNERSHIP BETWEEN ONE CREDIT UNION AND A CHECK-CASHING OUTLET

By: JOY COUSMINER,

In 2000, after three years of planning, Bethex Federal Credit Union and RiteCheck Financial Service Centers, a check-cashing outlet in New York, launched a partnership to expand their range of products and services. Bethex hoped to benefit from RiteCheck's expansive geographic network and retail infrastructure for broad distribution of its services to customers in the northern Manhattan and South Bronx sections of New York City. RiteCheck wanted to offer its customers the

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BRANCHING OUT

A PARTNER IN THE COMMUNITY

By LEO DITCHCREEK,

The officials of Notre Dame Federal Credit Union and the organizers of a potential Latino credit union in South Bend Indiana attended the Latino Credit Union Conference held in San Diego last year. After the conference the organizers of the potential

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COOPERATIVE PRINCIPLES

DELIVERING ACCESS TO THE FINANCIAL SYSTEM

By: BILL BERENS

The American credit union system – arguably the most sophisticated and efficient in the world - facilitates savings, access to credit and wealth building for millions of American families. In these households,

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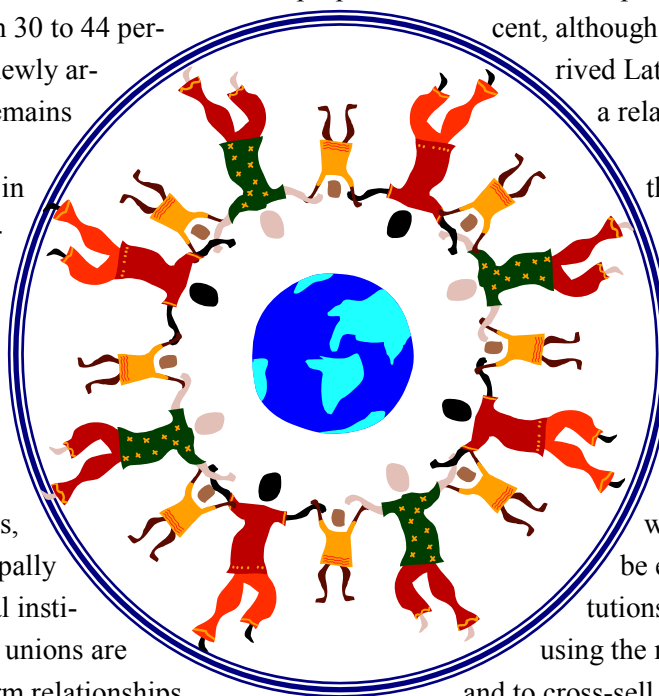
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THE EMERGING LATINO MARKET

By: MARIANNE HILBERT

The emerging Latino market has captured the attention of financial institutions for several reasons. As the largest and fastest growing minority in the United States, the sheer number of Latinos – and their purchasing power-- is worth warranting. There are 35.3 million Latinos in the US, or 13.5% of the population, with a purchasing power of \$580.5 billion. By 2007, Latino's purchasing power is projected to be \$800 billion. Estimates of the proportion of Latinos that operate on a cash-only basis economy, range from 30 to 44 percent, although these numbers may be even higher among newly arrived Latino immigrants. The Latino community remains a relatively untapped market.

Many Latinos living in the U.S. remit or send income to their families living overseas using alternative financial services such as wire transfer companies. In 2002, an estimated \$25 billion was sent from immigrants in the U.S. to Latin America (LAC) with approximately \$4 billion of this going to wire transfers, which are the highest in the world, can principally be explained by the much lower use of financial institutions to send remittances to LAC. Several credit unions are using the remittance product as a way to build long-term relationships and to cross-sell other products.



Reaching out to this diverse community requires a wealth-building model fashioned to the community's needs. A key model component is a flexible and creative financial education program. It must be as easy to receive as possible. Financial education provides individuals with the necessary information to make choices that will improve their financial and economic well-being. The more individuals know about financial topics and insured depository institutions, the greater the likelihood that they will obtain products and services from credit unions.

Successful credit union expansions into underserved communities have some unique characteristics.

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(The Emerging Latino Market — Continued from page 2)

Prompt building of partnerships with both community-based organizations and other financial institutions to tap into local knowledge and experience as well as to promote the credit union's services through the customer base of community organizations. **Understand the needs** essential to the underserved community and design programs and offer products that address those needs. **Recognize** that the Latino community represents a number of cultures and races and come from a number of socioeconomic backgrounds. Moreover, some Latinos have lived in the United States for generations while others are recent immigrants. **Hire employees that are members of the community** and who are knowledgeable about the idiosyncrasies of the particular culture which the credit union hopes to serve. **Participate** in local cultural and sports events. **Foster trust** among the current and potential members and create brand recognition.



Marianne Hilgert
works in the
Federal Reserve Board
Office of Community Affairs.

RESEARCH SOURCES

Ms. Hilgert and others have found these sources to be valuable research tools. We think you might too!

1. Census Bureau at www.census.gov.
2. "The Multicultural Economy in 2002: Minority Buying Power in the New Century" *Georgia Business and Economic Conditions Newsletter*, Terry College of Business, Vol. 62, No. 2, Second quarter 2002.
3. Celent Communications, "Ethnic Minorities, Financial Services and the Web," January 28, 2003 at www.celent.net/news.htm.
4. 2001 Surveys of Consumer Finances at www.federalreserve.gov.
5. Suro, Roberto and Sergio Bendixen. 2002. "Billions in Motion: Latino Immigrants, Remittances and Banking." Pew Hispanic Center and the Multilateral Investment Fund. November 22, 2002 at www.pewhispanic.org.
6. "Sending Money Home: An International Comparison of Remittance Markets" (Multilateral Investment Fund: February 27, 2003) at www.iadb.org.
7. "Community Problem-Solving" provides community builders with problem-solving tools and strategies, at www.community-problem-solving.net/cms.
8. Management Information Exchange website is a source of free information on various management topics, including conflict resolution, training and development, governing boards, succession planning, and more at www.lcmmix.org/index.cfm.



SIGN UP FOR THE LARGEST ANTI-POVERTY PROGRAM

By: Beverly Thomas

Credit unions across the nation partner with the Internal Revenue Service (IRS) to promote the outreach and education of the Earned Income Tax Credit (EITC) through the Volunteer Income Tax Assistance (VITA) free tax preparation program.

The EITC is the largest Federal anti-poverty program that has lifted 4.7 million families out of poverty. Over 20 million taxpayers received greater than 36 billion dollars in refunds. NCUA's Access Across America initiative has sparked credit unions nationwide, to reach out to low-income families and individuals by joining IRS and other community organizations in bringing financial services to underserved areas.

Credit Unions provide a host of services for the VITA program. Including hosting free tax preparation (VITA) sites in credit union branches; instructing or coordinating financial education classes; posting EITC materials in lobbies; distributing EITC materials to members via monthly statements; encouraging credit union employees to volunteer to prepare tax returns at neighboring VITA sites; donating computers or other office supplies; and more importantly, opening low or no cost accounts for those taxpayers who elect direct deposit of their EITC refund into the credit union.

Alternatives FCU in Ithaca, NY hosted its first VITA site this year. Alternatives' employees processed approximately 700 federal tax returns, and opened 75 new accounts. Lower East Side Peoples (LESP) FCU in New York City, NY also hosted its first VITA site, with the volunteers preparing 278 federal tax returns, resulting in \$390,328 dollars in refunds; approximately \$186,000 of those refunds were EITC dollars. LESP FCU also opened 71 new accounts. CEO Pablo DeFilippi was very pleased with his credit union's first year success and is looking forward to planning for next year. Members First FCU in Louisville, KY conducted 45 financial education classes for over 400 individuals identified through the VITA program, and opened 35 credit union accounts for those that completed the curriculum. Bond Community FCU in Atlanta, GA also assisted with instructing financial education classes for 351 individuals and opened 12 credit union accounts for the graduates. Alaska USA FCU in Anchorage, AK assisted in distributing hundreds of EITC materials to Alaska residents.

The IRS continues to receive inquiries from credit unions regarding partnering in next year's VITA/EITC efforts. Your credit union can be a partner bringing financial services to your underserved areas through the outreach and education of the EITC at local VITA sites. Interested credit unions may contact the IRS via e-mail at www.partner@irs.gov.

UPDATE ON THE NCUA SMALL CREDIT UNION WORKING GROUP



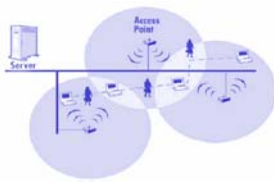
By: Dave Shetler

If you attended the many Small Credit Union Program (SCUP) workshops held throughout the country over the past few months, it is likely you had an opportunity to provide your comments and feedback to a member of NCUA's Small Credit Union Working Group. NCUA Board Member Deborah Matz created the Working Group earlier this year after hearing from the Chief Executive Officers of a number of successful small credit unions. The CEOs noted they were struggling on a daily basis with limited resources to meet all the demands of operating a financial institution. They also noted that they frequently felt deluged with information from NCUA.

The mission of the Working Group is reviewing the agency's regulations and supervision process to ensure we are not inadvertently hampering the success of small credit unions. The goal is to assist small credit unions serve their members in a safe and sound manner.

The SCUP workshops proved to be the perfect forum for NCUA and small credit union staff to discuss issues to present to the Working Group. The open dialogue produced a wide spectrum of comments on what credit union officials like about NCUA's current programs for small credit unions, what they disliked, and a number of suggestions for improvement. Additionally, input was sought from representatives of larger credit unions, corporate credit unions, and the various trade associations. Literally hundreds of individuals were consulted for comment and feedback on the issues related to NCUA and small credit unions.

The Working Group met in Alexandria the week of October 27th and sorted through the volumes of comments and suggestions. The responses were segregated by topic. The Working Group members were assigned to review the specific topic areas and make appropriate recommendations. These recommendations will consolidate into a written report for senior agency management in early 2004.



EVER MORE POPULAR WLANS

WIRELESS TECHNOLOGY uses radio frequencies or infrared beams, instead of wires, to transmit and receive information between a wireless station and an access point. An access point has a limited range, so several access points are needed so users can move between access points without having to log-in again and restart an application. A wireless local area network (WLAN) allows users access while on the move within the range of an access point. WLANs are relatively inexpensive and can easily be installed temporarily for projects and meetings, without adding wires. This may be a cost-effective alternative for credit unions seeking to expand their existing hard-wired computer networks. A WLAN has unique risk management challenges, however with proper planning and controls credit unions may be able to mitigate the risks associated with WLANs. For more information about wireless technology, go to NCUA Letter to Credit Unions 03-CU-03 from our website at www.ncua.gov.

(Is It A Marriage Made In Manhattan — Continued from page 1)

opportunity to tap into traditional banking products. The partnership helped these institutions offer a spectrum of transaction, deposit, and credit products that would not otherwise have been available.

The partnership also made it possible for Bethex members to make deposits at RiteCheck stores and for Bethex to market its products and services to RiteCheck's unbanked check-cashing customers, who could then get applications to open credit union accounts. In addition, RiteCheck provides Bethex customers with free check-cashing services on Bethex-issued checks (Bethex picks up the fee for these services) and reduced rates on non-Bethex checks. Meanwhile, RiteCheck benefits from the increased business brought in by Bethex customers and can in turn offer access to depository services, thus enhancing its image in the community. The partnership is now operating in eight check-cashing outlets, and plans are under way to include more credit unions and outlets.

The partnership did some groundbreaking work in getting all the necessary regulatory approvals. As a result, any organization hoping to replicate this model should have a much easier time getting such approvals.

Bethex Federal Credit Union/RiteCheck is an innovative business partnership that taps into the core business functions of both entities in a mutually beneficial manner. It combines the transactional model of check-cashing outlet with a relationship-based credit union model in a way that maximizes the benefits for consumers, who get access to affordable prices and a broader set of financial services at convenient locations. Bethex gets access to 100,000 RiteCheck customers without the major costs of opening new branches; RiteCheck gets the extra business that Bethex customers bring in at minimal cost and gets to offer its customers a chance to start a depository and asset-building relationship. Everyone wins—the customer, Bethex and RiteCheck.

(Cooperative Principles—Continued from page 1)

each generation learns the habits of their parents and comfortably embraces credit unions, and other mainstream financial enterprises. These households graduate from simple savings and checking accounts to more sophisticated borrowing and savings products, such as digital currency, home and business loans, share certificates, individual retirement accounts and trust accounts. In this way, they create and build wealth to benefit their families and the next generation.

Millions more of Americans also want to feel part of the nation's financial system. They are searching for the opportunity to access the American dream. Estimates range from 10 to 20 millions of American households however, rarely, if ever, use credit unions or mainstream financial services. Vast segments of low-income, minority, and immigrant families have not yet been exposed to such wealth-building opportunities. Estimates of the "unbanked and under banked," people without any banking relationship and those with very limited banking relationship, comprising about 25 million to 56 million adults. According to the Federal Reserve, these households are disproportionately found among lower income households, African-American and Hispanic households, households headed by young adults, and households that rent their homes.

This issue of the Credit Union Opportunities Newsletter is focused on how credit unions are delivering access to the financial system and the opportunity to dream the American dream.

(Branching Out — Continued from page 1)

Latino credit union decided against chartering a new credit union.

Early 2002, two Catholic priests of predominantly Hispanic parishes contacted the Notre Dame Federal Credit Union to help develop a credit union to serve the local Hispanic population. The idea coincided with Notre Dame's strategic vision of providing financial access to an underserved community. Throughout the spring of 2002, the credit union worked with various parishioners and the community's Hispanic leadership crafting and molding a financial cooperative to address the community's identified needs. Focus groups were conducted to hear from as many stakeholders as possible. Volunteers staffed committees charged with identifying the various organizational needs of the new credit union.

In addition, these committees identified financial needs and developed and assessed options of forming a new community credit union. After careful analysis and consultation with their stakeholders, the organizers approached the Notre Dame Federal Credit Union with a proposal to open a Hispanic branch. Notre Dame Federal Credit Union has the experience, share and loan products, asset capacity, and presence in the community to make the effort a success. Notre Dame is collaborating with community leaders in finalizing plans for the bi-lingual Spanish speaking branch office's grand opening.



Leo Ditchcreek, is the
President / CEO of
Notre Dame Federal Credit Union



NCUA WORKSHOPS CALENDAR 2003—2004

SMALL CU WORKSHOP

DATE:

LOCATION:

CONTACT:

TEL.#

DECEMBER 6, 2003

UPPER MANHATTAN

NEW YORK CITY

NEW YORK

NICHOLAS SANIMARCO

(518) 862-7400

PALS WORKSHOP

"ALTERNATIVES TO PREDATORY FINANCIAL PRACTICES"

DATE:

LOCATION:

CONTACT:

JANUARY 26, 2004

WESTIN PARK CENTRAL

DALLAS, TEXAS

WWW.NCUA.GOV



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Please make sure that you include your name, title and the name of your credit union on all correspondence.

If published comments and letters may be condensed.

DID YOU KNOW



- ☒ NCUA's Community Development Revolving Loan Fund will make loans at extremely low rates to qualified low-income designated credit unions. Want details? Visit the NCUA Office of Credit Union Development Web site at <http://www.ncua.gov/org/orgchart/ocud/index.html>.
- ☒ In 2002, over 19 million low and moderate-income workers claimed Earned Income Credits worth more than \$31 billion. 52 VITA sites nationwide assisted more than 1.7 million taxpayers. For more information visit the NCUA Web site <http://www.ncua.gov/ref/letters/02-FCU-14.htm>
- ☒ Treasury's CDFI Web site now has 2000 census data available to help you develop your plan for expansion into underserved areas. It's only a link away - <http://www.ncua.gov/org/orgchart/ocud/invest-area.html>.
- ☒ NCUA's Community Development Revolving Loan Fund's Technical Assistance Program can help defray IRS VITA Program 2004 start-up costs. Contact Senior Analyst Claude Henley at (703) 518-6618 for details.
- ☒ VISA Payroll Cards & Gift Cards are hot digital currency options.
- ☒ Recent statistics show that 98 percent of the users of payday loans are middle class between 18 and 30 year old.
- ☒ Check-cashers cashed 180 million checks in 2002 for \$55 billion dollars.
- ☒ Payday lenders advanced \$1.1 billion and collected estimated fees of \$129 million.